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TRADERS 
GROUP LIMITED





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Annual Meeting

The Annual Meeting of Shareholders will be held at 11:30 a.m. on Thursday, February 28th, 1985 in Toronto in the Ballroom of the Royal York Hotel.

Comptes de l'exercice

Si vous désirez recevoir un exemplaire en français des comptes de l'exercice de Le Groupe Traders Limitée, veuillez vous adresser au service de marketing, Le Groupe Traders Limitée, 625, rue Church, Toronto (Ontario) M4Y 2G1.

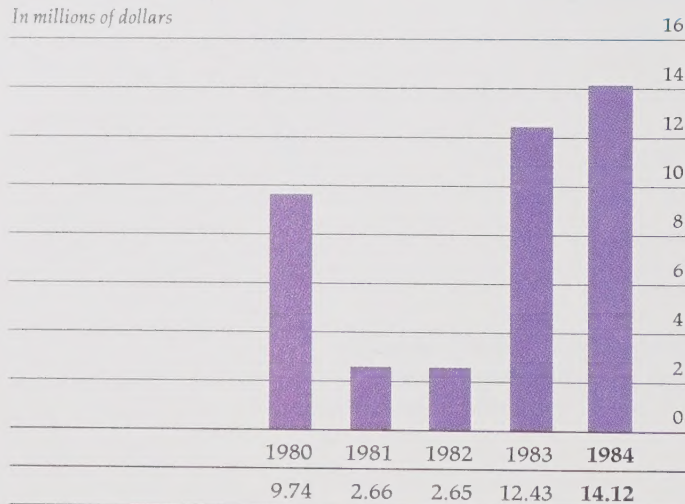
CONSOLIDATED HIGHLIGHTS

2

	1984	1983
Consolidated gross income	\$ 660,898,000	\$ 603,710,000
Consolidated net income before extraordinary items	14,124,000	12,432,000
Extraordinary items	—	9,660,000
Consolidated net income after extraordinary items	\$ 14,124,000	\$ 22,092,000
Earnings per share before extraordinary items	\$ 2.33	\$ 1.98
Earnings per share after extraordinary items	2.33	3.88
Dividends declared per Class A share and Class B common share	0.40	0.40
Return on average Class A share and Class B common share equity	8.99%	16.77%
Assets under administration		
Consolidated	\$3,864,022,000	\$3,472,195,000
Estate, trust and agency	3,831,623,000	2,881,340,000
Total assets under administration	7,695,645,000	6,353,535,000
Consolidated shareholders' equity	166,785,000	157,476,000
Weighted average number of Class A shares and Class B common shares outstanding	5,094,000	5,078,000
Net Income (Loss) by Line of Business		
Trust Company	\$ 8,463,000	\$ 6,950,000
Guaranty Properties	1,140,000	1,072,000
Insurance Group	(2,329,000)	2,432,000
Finance Group	6,850,000	11,638,000
Net income	\$ 14,124,000	\$ 22,092,000

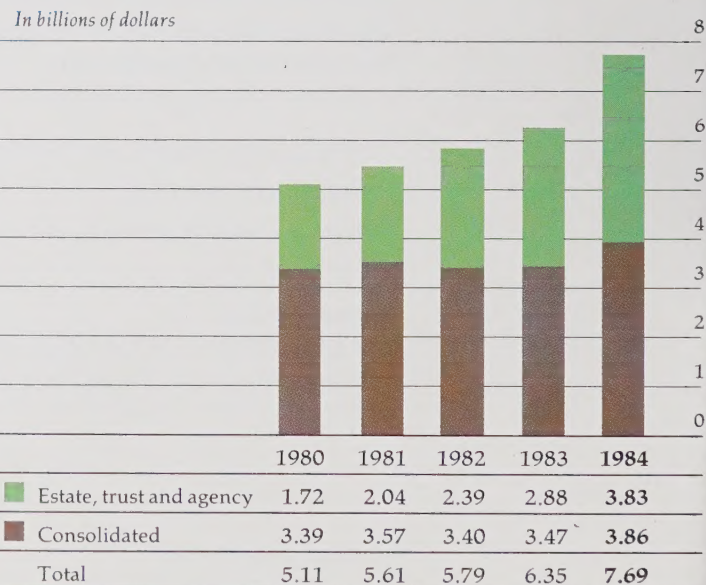
Consolidated net income*

In millions of dollars



Assets under administration

In billions of dollars



*before extraordinary items

CHAIRMAN'S REPORT TO SHAREHOLDERS

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1984 was another good profit year for Traders Group.

Consolidated net income before extraordinary items was \$14.1 million, compared with \$12.4 million in 1983. The 1984 results were a 14% annual improvement in basic profits, translating into \$2.33 per share, compared with \$1.98 per share the previous year. In 1983 there were, in addition, extraordinary profits of \$9.7 million, principally from

the sale of real estate investments, producing a consolidated net income after extraordinary items of \$22.1 million or \$3.88 per share.

These results were based on consolidated gross income of \$661 million, a 9% increase over 1983. Total assets under administration increased by 21% to \$7.7 billion.

The superior performance achieved in 1984 reflected the strong earnings growth of our trust company and finance group. The property company remained profitable, but our insurance group suffered a loss in a highly competitive marketplace.

Guaranty Trust

Guaranty Trust contributed \$8.5 million to our net income, a 22% increase over its 1983 contribution. It fulfilled its corporate priorities by increasing fee business through aggressive marketing of selected services and by reducing non-productive loans.

The fiduciary business (estates, trusts and agencies) recorded the biggest one-year growth in the history of Guaranty Trust to conclude 1984 with more than \$3.8 billion of assets under administration—a 33% increase over 1983. Particular emphasis was placed on marketing stock transfer and pension fund services. Guaranty Trust is Canada's largest transfer agent. It attracted many new pension fund clients who rely on Guaranty Trust for master trustee administration and, increasingly, investment management.

The trust company's financial intermediary business also performed well, with \$3.1 billion of assets at year-end—a 12% increase over 1983.

A continuing challenge is the matching of liabilities and assets. To the extent that mismatches occur, voluntarily or otherwise, the growing financial futures and interest rate swap markets now enable us to take hedge or swap positions to protect interest spreads.

Loan losses and provisions were reduced to an acceptable level, although non-productive loans in Alberta will

remain a concern until that province's economy improves further. Guaranty Trust's credit loss ratio compared positively with the chartered banks and other trust companies.

Guaranty Properties

Guaranty Properties contributed net income of \$1.1 million, about the same as in the previous year. Unfortunately, it was again necessary to write-down land values in Alberta, although conditions were more encouraging in central and eastern Canada. In our joint-venture community development in Orlando, Florida we expect to be constructing and marketing the first homes in this 7,000-unit project early in 1985. The long term goal is still to reduce exposure to land development and expand the portfolio of income-producing properties in key markets.

Canadian General Insurance Group

The insurance group experienced an extremely difficult year and reported a loss of \$2.3 million, compared with a profit contribution of \$2.4 million in 1983. The Canadian property casualty business endured the worst year in its history, with claims rising sharply and premiums being held down by industry competition. It is hoped that the market will be more realistic in 1985 and premium increases will be possible. The Canadian General Life Insurance Company, however, recorded a net profit of \$830,000 and looks forward to further growth in 1985.

Trans Canada Credit

Our finance group, Trans Canada Credit, did extremely well last year, contributing net income of \$6.9 million, a 97% gain over the previous year.

This group operates a highly efficient network of 141 branches across the country, providing Canadians with personal loans, mortgages, and retail financing. Its successful recovery from the difficulties experienced in the recent recession are a direct result of tight cost controls, the elimination of unprofitable businesses, and the quality of its staff. These factors resulted in better income margins on a 21% increase in loan volumes.

Corporate Overview

Renewed growth in the Canadian economy assisted our overall performance last year, although it did not have as much impact as the specific actions successfully implemented by the trust company and finance group to generate more profitable business.

The major economic surprise was the sharp decline in the rate of inflation, producing price stability that has not been seen since 1971.

Interest rates eased as the year progressed, but were inordinately high by historic standards in a disinflationary period, primarily as a reaction to the size of government deficits. Business generally was cautious about increasing debt, although consumers were more positive.

In past years, we have discussed the increasing competition within the trust industry and among other sectors providing financial services. We welcome this heightened competition as it is in the best interests of Canadian businesses and consumers. Our constant complaint has been the lack of federal trust legislation that would allow Guaranty Trust to broaden its range of loans and services.

There are encouraging signs that the new federal government shares our concern. It is expected that new trust company legislation will be introduced in 1985 and that it will reflect the changing nature of the financial services business so that the Canadian-owned trust industry can respond more effectively to business and consumer demands.

In 1984, we took steps to form a new company Guaranty Trust Company of Canada (U.K.) Limited, based in London, England. We expect considerable growth in fund management for offshore investors, and are confident that the international community will buy

Canadian securities through us, as well as such Guaranty Trust products as investment funds.

We also created Guaranty Realty Investments Limited to offer investors the opportunity to participate on a pooled or syndicated basis in quality income properties.

New Corporate Structure

In preparation for a new era of competition, we intend to change our corporate structure. Subject to a successful exchange offer, a new holding company, Guaranty Trustco Limited, will own the 99.8% of common shares in Guaranty Trust held by Traders Group Limited. The new company will provide greater flexibility in the breadth of activities we can undertake.

Guaranty Trust Company of Canada (U.K.) Limited will become a subsidiary of Guaranty Trustco, as well as a new subsidiary which will hold the new and renewal business written by Trans Canada Credit. It is hoped new federal trust legislation will be sufficiently broad that both the new Trans Canada Credit and the United Kingdom subsidiary can become direct subsidiaries of Guaranty Trust.

The new corporate structure will make it possible for Guaranty Trustco to establish a market for its own shares, enabling it to finance its growth directly if it chose, rather than solely through Traders Group.

Outlook

We are confident of continued strong earnings in 1985, although it is likely the Canadian economy will expand at a slower rate than in 1984. Interest rates should moderate and stabilize, and inflation will likely stay below 5%, suggesting real GNP growth of 2% to 3%.

The trust company and finance group should further improve their income levels in 1985, pursuing the targeted marketing programs implemented last year. The property company faces continued adverse market competition, but should remain profitable. The insurance group should be able to return to profitability if it becomes possible for premium adjustments to be accomplished.

In summary, we are optimistic of maintaining good profit growth in 1985.

I thank our directors, shareholders, employees and customers for their support during the year, and assure them that we are committed to further advances in the quality and scope of our services.



Alan R. Marchment
*Chairman of the Board and
Chief Executive Officer*

GUARANTY TRUST COMPANY OF CANADA

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Net operating income increased by 50%, mainly due to improved financial intermediary results and lower credit losses. Total deposits grew by 11% and estate, trust and agency assets under administration increased 33% to \$3.8 billion.

A major component of the increase in assets under administration was growth

in pension assets of \$487 million. Revenue from this area increased 34% in 1984 and continues to be one of the most dynamic, expanding parts of our business.

Although we acquired 125 new stock transfer clients during the year, the dramatic reduction in volumes on Canadian stock exchanges caused a 2% decline in revenue from transfer services. Based on the record number of new clients acquired in the past two years, we anticipate a resumption of strong growth in transfer service revenues in 1985.

Fees from personal trust services rose 5% in 1984. This increase reflects continued movement of self-administered retirement savings plans to brokers, offset by a 20% growth in both estate, trust and agency business and in mutual fund fee revenue. In 1985 we expect further strong growth in mutual fund sales based on the excellent investment performance record and expanded distribution channels.

Our intermediary business operated in a very competitive environment in 1984. While our investment spread increased by almost \$3 million, the tax equivalent rate decreased from 1.80% to 1.72%, primarily because of the strong growth in guaranteed investment certificates on which we earn narrower spreads than on demand deposits. The tax equivalent measure has become the most relevant comparison because our investment in preferred stocks increased from \$28 million at the beginning of the year to \$86 million at year-end. The additions during the year were a combination of floating rate instruments and fixed rate, fixed term (or retractable) issues. The effect of these purchases was to reduce our tax rate from 41% to 35%.

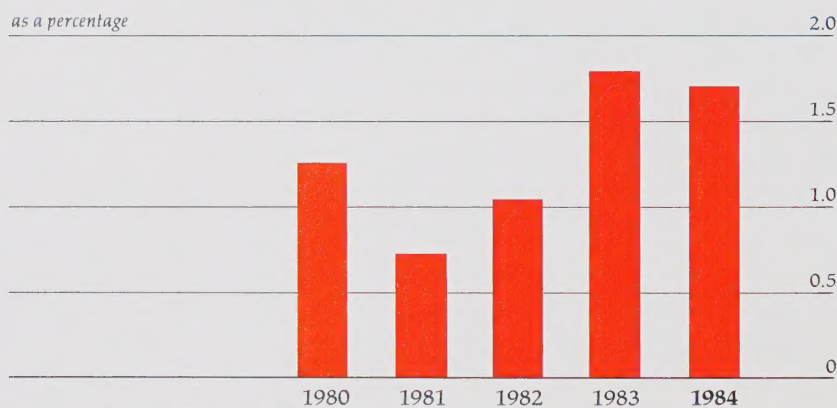
Total general and administrative expenses increased by 7%, considerably below 1983's 19%. In order to ensure excellent service and value for our clients, we will continue during 1985 to invest in staff training, information systems products and market research.

Net interest income and spread

<i>In thousands of dollars</i>	1984	1983	Variance Positive (Negative)	
			Amount	%
Interest income	\$336,014	\$311,899	\$24,115	8
Interest expense	270,491	249,324	(21,167)	(8)
Net interest income	65,523	62,575	2,948	5
Taxable equivalent adjustment	4,782	2,602	2,180	84
Net interest income (TE)	\$ 70,305	\$ 65,177	\$ 5,128	8
Interest rate spread (TE)	1.72%	1.80%	(0.08)%	(4)
Analysis of variance:	Volume	Rate	Total	
Interest income	\$24,775	\$ (660)	\$ 24,115	
Interest expense	(17,784)	(3,383)	(21,167)	
Net increase	\$ 6,991	\$(4,043)	\$ 2,948	

Interest rate spread*

as a percentage



*Taxable equivalent	1.26%	0.71%	1.06%	1.80%	1.72%
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Credit losses and allowances

December 31

<i>In thousands of dollars</i>	1984	1983
Credit loss expense:		
Net losses	\$ 9,094	\$ 4,556
Change in allowance	(4,693)	4,177
	\$ 4,401	\$ 8,733
Allowance for credit losses	\$10,459	\$14,956

Credit losses decreased significantly, from \$8.7 million to \$4.4 million. Losses on residential mortgages in Alberta remain at an unacceptable level. However, as a percentage of total residential mortgage assets, these losses only amounted to 0.04%. Although they do not appear to be worsening, they are not expected to improve significantly in 1985. We are adequately reserved on properties held in Alberta, and have successfully operated a rental program for the past two years. Over 80% of our

houses are rented at rates which provide a reasonable return after all expenses. Other lenders, insurers and government bodies such as CMHC and the Alberta Mortgage and Housing Corporation have recently adopted a similar approach in order to avoid dumping properties on the market.

Credit loss expense in the corporate lending portfolios decreased significantly in 1984. Actual losses plus net additions to specific reserves amounted to \$2.3 million, or 0.2% of average funds in use. This compares most favourably with experience of the chartered banks and other corporate lenders.

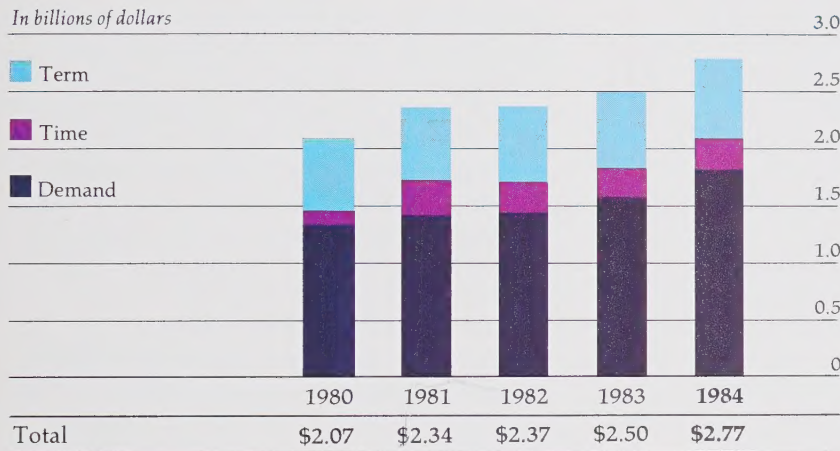
Delinquency levels in both consumer and corporate divisions are at the lowest levels in three years. In the largest portfolio—residential first mortgages—delinquency remains below 1%.

Non-productive loans net of reserves decreased to \$11 million. It is not expected that further significant improvement will occur until the economic climate in Alberta improves.

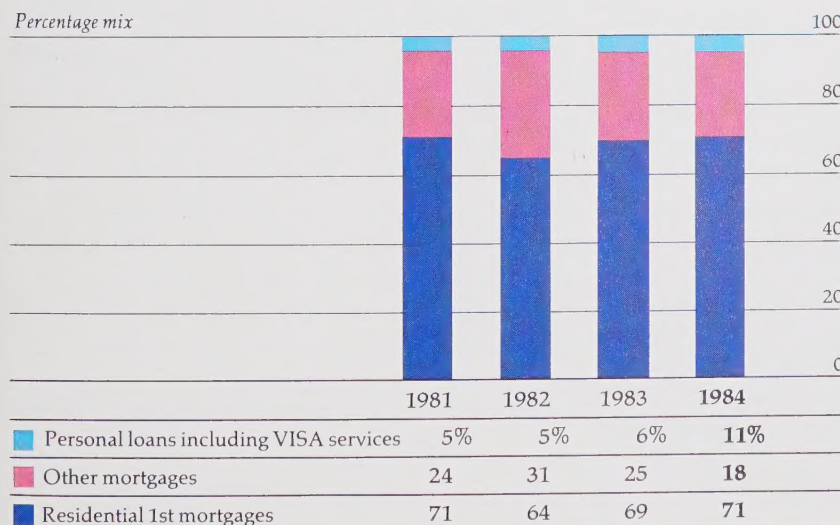
Organization

Considerable effort was made during the year to determine the most effective organization and strategy for the future. We are a market-needs driven company—that is, we pay attention to what our clients want and need, and devote our resources to providing those products and services with quality and excellence. Reaffirming our commitment to this approach, we organized the Company to recognize our two client groups—consumer and corporate. All services for the consumer—deposits, lending, investment and trust—are available through a coordinated Consumer Services Division. Similarly, our Corporate Services Division will increasingly be capable of providing all the needs of the corporate client through professionally trained personnel.

Deposit mix—term, time and demand



Consumer loan portfolio



Consumer Services

Growth in consumer lending was concentrated in the residential first mortgage field, which increased 20% in outstandings. In addition, a \$52 million purchase of personal loans from Traders Group at the end of the year added to that portfolio's outstandings. A combination of increased training and organizational change has improved service to our clients in both the lending and deposit-gathering areas.

During the year we introduced four "Money Machine" ATMs, the first on-line, full service Automated Teller Machines in the trust industry. In addition, we became the first trust company to participate in a shared ATM network. Through Magicbanc, our Toronto customers have access to nine offsite ATMs in convenient, non-branch locations. We are convinced that sharing ATM facilities will become the norm, and are encouraged that some of the major chartered banks have offered to open their networks to other institutions. We intend to participate in other networks in order to enhance electronic banking convenience for our customers.

We opened two new branches, one in Brampton, the other in Woodbridge. As well, we renovated nine branches. In the coming year we are committed to opening a minimum of two branches and will continue our planned program of upgrading our facilities.

Corporate Services

Demand for commercial mortgages and corporate term lending was depressed during the year, as the recovery was concentrated in the consumer section. This helped our Dealer Service portfolio, as automobile sales increased substantially. The other component of corporate lending which expanded during the year was Equipment Financing. The area of growth, however, was not the traditional construction field but rather the funding of independent lessors of computers and related equipment. This equipment is utilized by high quality lessees such as chartered banks, oil companies and government agencies.

Comment has already been made on our two main corporate service areas—Pensions and Transfer Services. These two departments have shown remarkable growth over the past five years and now account for over 50% of total fees and commissions. We anticipate that the combination of superior investment performance, excellent computer systems and skilled personnel will continue this growth.

Asset/Liability Management

During the year a new Treasury Department was formed to improve the efficiency of cash management and to maximize interest spread on the financial intermediary business. Cash management operations have improved significantly and financial futures and interest rate swaps are being used to protect interest spreads. Computer-based analytical portfolio models are being utilized to assess the impact of changes in asset/liability mix and in interest rates on profitability. Results to date from the market and analytical techniques and tools have been encouraging.

We started the year with a significantly improved matching in terms of interest-sensitive assets versus liabilities. With falling rates throughout the fall of 1984, we allowed a modest amount of fixed rate assets to be funded by floating rate deposits (a total of \$102 million), thereby improving current spreads. Board of Directors' policy permits management to mismatch as to maturity up to 5% of total assets, with the facility as mentioned above of the futures and swap markets to protect against adverse interest rate movements.

Our long-term low-yield NHA mortgage and government bond portfolio decreased to \$181 million. As interest rates decline, the drag on earnings does, of course, diminish. Nevertheless, we estimate that in 1984 the portfolio negatively impacted after tax earnings by \$4.5 million. As rates decline further, the chance to dispose of these assets may increase, and we will be actively seeking such opportunities.

Capital Adequacy

The Company is in a strong position with regard to capital. Our ratio of assets to capital and general reserves stands at 19:1, although we are permitted to go as high as 25:1. This means that we could take on almost an additional \$1 billion of deposits without requiring additional capital.

Real Estate Services

We broadened our real estate activities in 1984 by forming a real estate investment services company, Guaranty Realty Investments Limited, a sister company for our real estate operating company, Guaranty Properties Limited.

Guaranty Realty Investments Limited offers investors an opportunity to participate in institutional-quality real estate. The properties will be owned by open-end or closed-end funds. These investment services will appeal particularly to pension funds that intend to expand the real estate component of their overall portfolio in the next decade. Domestic and foreign institutions are also likely to use these services.

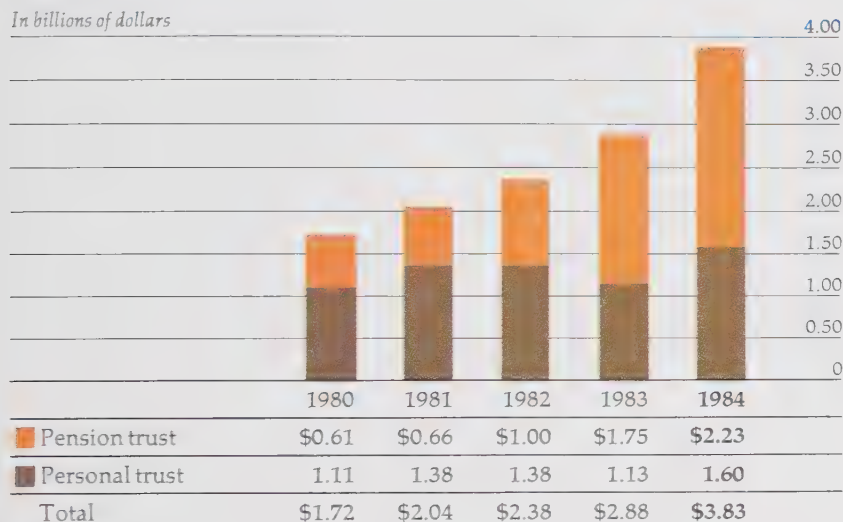
Guaranty Properties is involved in land development, income property development and property management. Our policy is to de-emphasize land development and to build a diversified portfolio of quality revenue-producing real estate in major markets. The Company has residential and commercial projects underway in Metropolitan Toronto, Mississauga and Ottawa in Ontario; Edmonton, Alberta; and Orlando, Florida. Several are joint venture projects.

Outlook

Although our plans for 1985 include substantial expenditures for technology, data processing, marketing and branch expansion, we anticipate strong growth in our fee-for-service business and continued significant improvement in earnings.

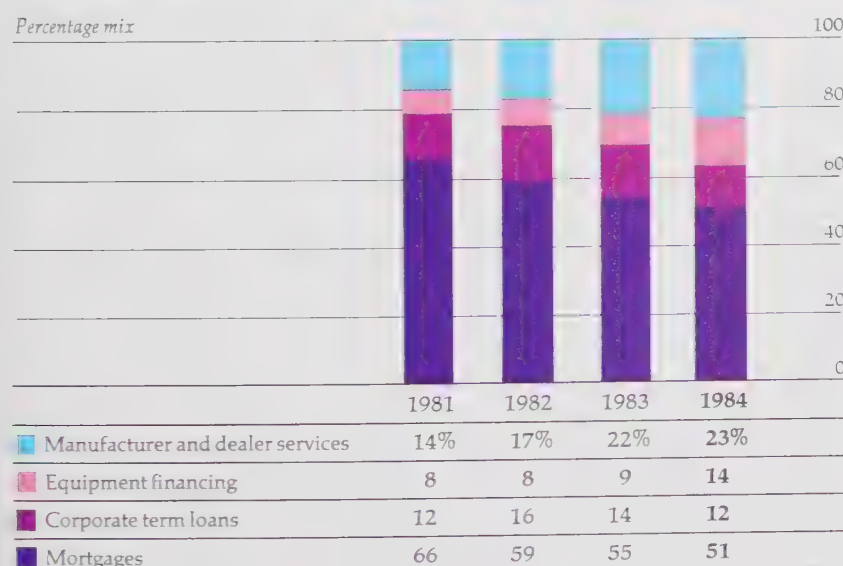
Estate, trust and agency assets under administration

In billions of dollars



Corporate loan portfolio

Percentage mix



CANADIAN GENERAL INSURANCE GROUP

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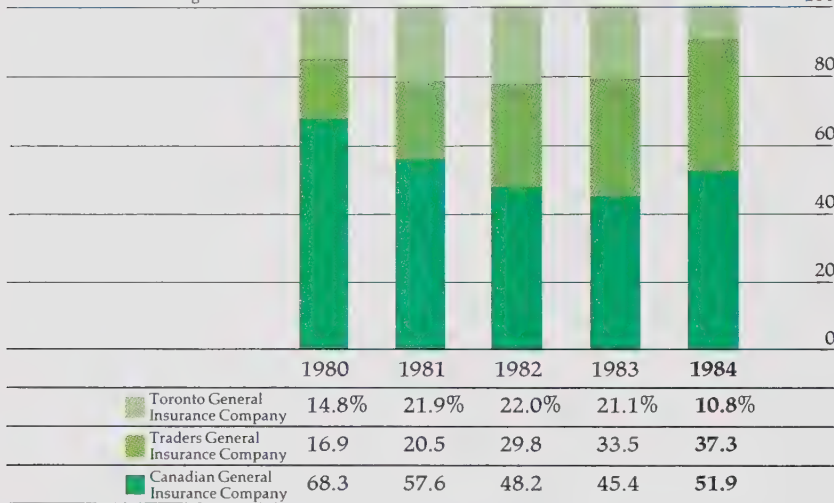
The Insurance Group consists of four separate companies. Two of these are general insurance companies that write directly in the Canadian automobile, property and casualty lines of business; a third general insurance company specializes in the reinsurance assumed market; and the fourth company is a life insurance company that writes individual and group life, accident and sickness insurance.

GENERAL INSURANCE COMPANIES*

Gross written premiums, by company

Percentage mix

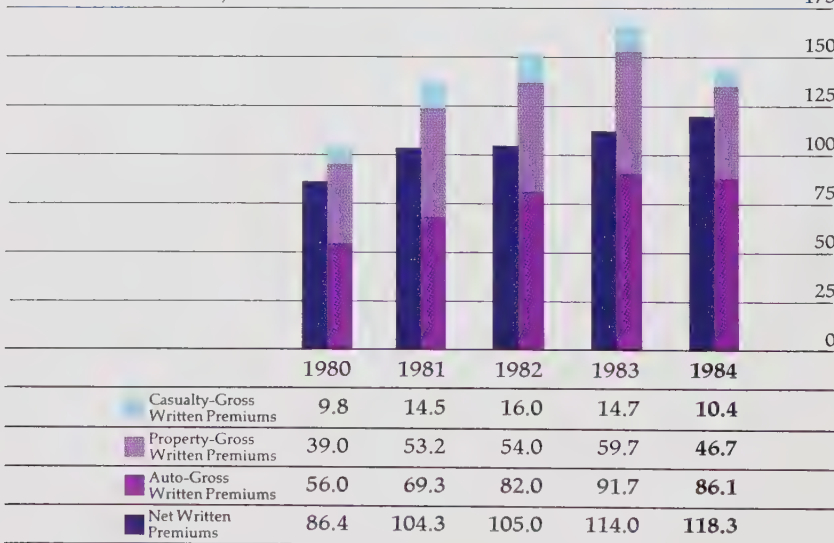
100



Premiums written, by class of business*

In millions of dollars

175



*Includes the following companies:
 Canadian General Insurance Company
 Toronto General Insurance Company
 Traders General Insurance Company

The Group had gross written premiums of \$188.9 million in 1984, compared to \$201.4 million in 1983, a decline of 6.2%.

Life insurance operations continued to grow and net earnings for the year were \$830,000. The Canadian property, casualty and reinsurance markets however suffered one of the worst years on record and the Canadian General Group's property casualty companies also experienced a similar severe setback registering a net loss from property and casualty operations of \$3.2 million. The group as a whole experienced a net loss of \$2.3 million before minority interest.

General Insurance Operations

The property and casualty insurance industry was expected to stabilize in 1984. In fact, it suffered the worst losses in history. Rate cutting was widespread while claims costs increased dramatically in response to higher court awards and a more onerous interpretation of the Family Law Reforms Act in Ontario.

Our companies—Canadian, Traders and Toronto General Insurance—did not escape this devastating trend, which undermined our underwriting position.

Automobile gross written premiums totalled \$86.1 million, a decrease of 6.1% from 1983, while property and casualty gross written premiums totalled \$57.1 million, a 23.3% decrease from last year.

Automobile claims, after inclusion of substantial reserves, totalled \$67.1 million, a 31.4% increase over 1983 and the underwriting loss was \$13.6 million.

Property and casualty claims totalled \$33.9 million, an increase of 8.6% over 1983 and the underwriting loss was \$8.2 million.

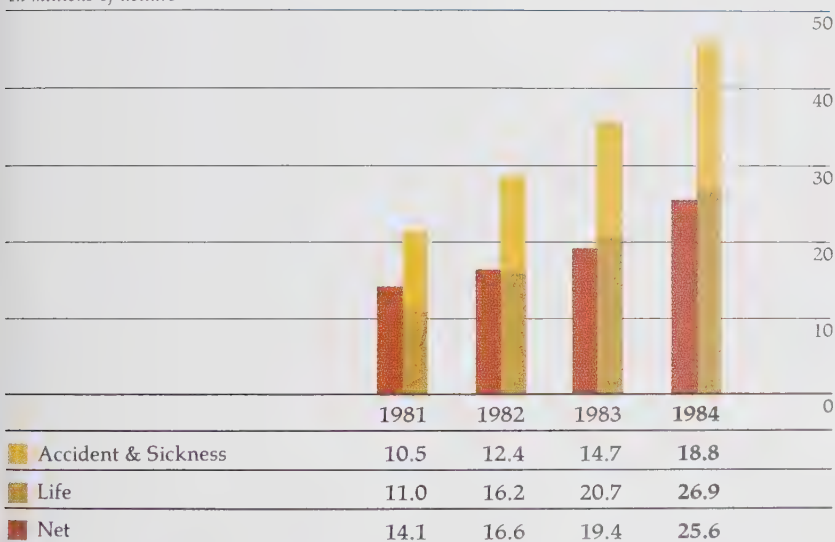
Operations summary—General Insurance Companies

<i>In thousands of dollars</i>	Automobile		Property and Casualty		Total	
	1984	1983	1984	1983	1984	1983
Net written premiums	\$ 73,848	\$ 67,718	\$ 44,455	\$ 46,340	\$118,303	\$114,058
Policies in force	156,209	161,719	167,186	160,041	323,395	321,760
Net premiums earned	\$ 75,797	\$ 63,188	\$ 45,386	\$ 45,208	\$121,183	\$108,396
Claims expense	67,103	51,055	33,918	31,215	101,021	82,270
Commission and premium taxes	13,197	9,487	10,828	10,496	24,025	19,983
Other expenses	9,134	9,463	8,840	8,632	17,974	18,095
Underwriting loss	\$ (13,637)	\$ (6,817)	\$ (8,200)	\$ (5,135)	\$ (21,837)	\$ (11,952)
Investment income and other					14,664	13,228
Income taxes recovery					4,007	282
Net income (loss) from operations					\$ (3,166)	\$ 1,558
Underwriting loss ratio	18.0	10.8	18.1	11.4	18.0	11.0

LIFE INSURANCE COMPANY

Premiums written

In millions of dollars



Much improved investment income and major savings in general and administrative expenses were insufficient to offset underwriting results and the surplus account was reduced by \$2.4 million after tax recoveries and participation in the Life Insurance Company's profits.

The excess market capacity of recent years is expected to shrink in 1985 and should permit long overdue rate increases to occur, particularly for automobile insurance in Ontario. We are, therefore, confident of better results in the coming fiscal year.

Life Insurance Operations

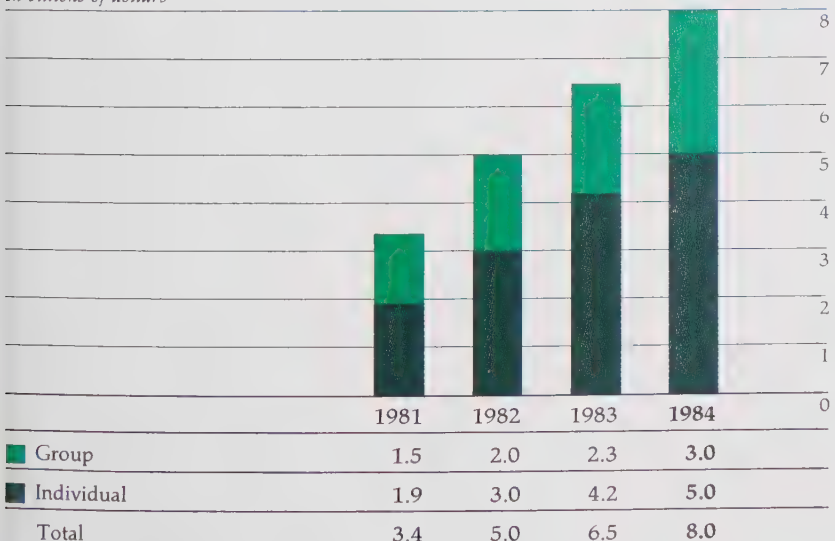
Profitable growth continued in most areas, with gross premium income exceeding \$45 million, a 29.3% improvement over 1983.

Individual life insurance in force exceeded \$5.0 billion, an increase of 19% over 1983 providing protection for more than 34,600 Canadian policyholders. Group life, sickness and accident insurance gross premium income totalled \$18.8 million, a 28% increase over 1983. This represents coverage for more than 130,000 Canadians.

By year end, the total surplus and capital was \$11.8 million or 20% of corporate assets. This is a high ratio by industry standards.

Business in force

In billions of dollars



FINANCE GROUP

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The Finance Group consists of \$406 million of consumer and commercial assets. Trans Canada Credit manages a portfolio of approximately \$336 million, consisting of personal loans and residential mortgages to individuals and families, and consumer sales financing contracts through a wide variety of retail

businesses. In addition, \$70 million of commercial assets, mainly leases, are managed on behalf of Traders Group by Guaranty Trust.

Trans Canada Credit operates 141 offices located in all provinces and is staffed by well-trained, experienced specialists. Its principal marketing strengths are its attention to personal service and its well-developed credit and administrative process. This operating strategy has created lasting customer relationships and considerable repeat business. The company's active customer base grew by 10.8% last year.

The Finance Group once again made a substantial improvement in its net contribution to Traders' financial performance in 1984.

The Group continued to benefit from better income margins and improved general and administrative expense ratios. Combined with a 21% increase in consumer volume these further gains in productivity substantially enhanced profit levels. At year end, total receivables, net of allowances, declined by \$5.5 million due to both the sale of \$52 million of consumer receivables to Guaranty Trust and the rapid amortization of the principal of the existing commercial assets.

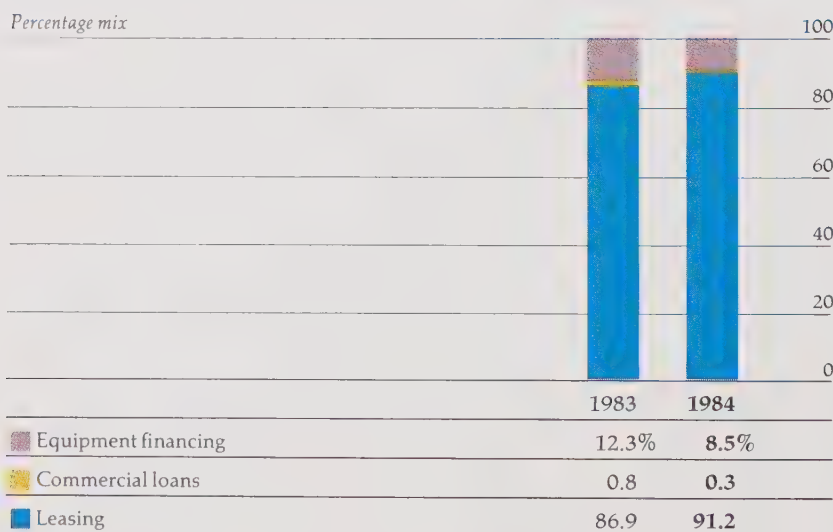
Gross income yields were higher, reflecting aggressive product pricing, a more profitable portfolio mix, and revenues from the sale of insurance and other services.

Delinquency levels in consumer loans and residential mortgages continued to decline over the year.

Consumer finance receivables



Commercial finance receivables



1984 FINANCIAL STATEMENTS

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TRADERS 
GROUP LIMITED

MANAGEMENT'S AND AUDITORS' REPORTS

Management's Report

To the Shareholders of Traders Group Limited:

Management is responsible for the preparation, presentation and consistency of financial information contained in the Annual Report. The financial statements and accompanying notes, prepared in accordance with generally accepted accounting principles, are considered by management to present fairly the Corporation's consolidated financial position and results of operations.

Management maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. The controls are monitored by the Corporation's internal auditors.

The Board of Directors appoints an Audit Committee of non-management directors to review with management financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board for approval. It also reviews accounting policies and control procedures in effect throughout the Corporation. The Executive Committee of the Board approves credit authorization policies.

The Department of Insurance conducts an annual examination and enquiry into

Trust and Insurance Companies' affairs as it feels appropriate and necessary to satisfy itself that the provisions of the legislation under which they operate are duly observed and that the Companies are in sound financial condition.

Independent auditors appointed by the shareholders of the Corporation examine our financial statements in accordance with generally accepted auditing standards and their report appears below. The shareholders' auditors have free and independent access to the Audit Committee and meet with the Committee and with management to consider matters relating to financial statement presentation, internal controls and audit procedures.

ALAN R. MARCHMENT
Chairman of the Board and
Chief Executive Officer

EDWIN W. AUSTIN
Senior Vice President
Finance and Administration

Toronto, January 29, 1985

Auditors' Report

To the Shareholders of Traders Group Limited:

We have examined the consolidated balance sheet of Traders Group Limited as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the

changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting, with which we concur, for foreign currency debt as explained in Note 3, on a basis consistent with that of the preceding year.

PRICE WATERHOUSE
Chartered Accountants

Toronto, January 29, 1985

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF INCOME

Year ended December 31	1984	1983
Gross income		
Trust Company loan, investment and fee income	\$368,241,000	\$343,595,000
Property sales and other income	36,284,000	26,278,000
Insurance premiums and investment income	165,150,000	144,645,000
Finance charges and related income	91,938,000	89,424,000
Loss on sale of investments	(715,000)	(232,000)
	660,898,000	603,710,000
Expenses		
Interest expense—trust and property	276,551,000	254,422,000
—finance	35,633,000	33,943,000
	312,184,000	288,365,000
Cost of property sales and write-down of inventory	27,748,000	16,144,000
Insurance claims	120,201,000	97,172,000
Insurance commissions and premium taxes	28,235,000	23,134,000
Credit losses	15,953,000	20,569,000
Salaries and staff benefits	68,150,000	65,151,000
Premises	13,693,000	12,921,000
Data processing, communications, marketing and other	51,459,000	55,941,000
	637,623,000	579,397,000
Income before income taxes, minority interest and extraordinary items	23,275,000	24,313,000
Income taxes—current	9,002,000	5,298,000
—deferred	(616,000)	5,683,000
	8,386,000	10,981,000
Net operating income	14,889,000	13,332,000
Minority interest and consolidation adjustments	765,000	900,000
Net income before extraordinary items	14,124,000	12,432,000
Reduction of income taxes arising from application of losses carried forward	—	2,160,000
Net gain on property sale	—	7,500,000
Net income for the year	\$ 14,124,000	\$ 22,092,000
Available for		
Preferred shares	\$ 2,269,000	\$ 2,364,000
Class A shares and Class B common shares	11,855,000	19,728,000
	\$ 14,124,000	\$ 22,092,000
Earnings per Class A share and Class B common share		
Before extraordinary items	\$ 2.33	\$ 1.98
After extraordinary items	\$ 2.33	\$ 3.88
Weighted average number of Class A shares and Class B common shares outstanding after inter-corporate elimination	5,094,000	5,078,000

CONSOLIDATED BALANCE SHEET

December 31	1984	1983
Assets		
Trust		
Cash and bank deposit receipts	\$ 366,055,000	\$ 391,597,000
Securities (Note 9)	145,137,000	70,542,000
Loans	2,435,472,000	2,160,484,000
	2,946,664,000	2,622,623,000
Guaranty Properties		
Cash and mortgages receivable	36,609,000	23,385,000
Real estate	136,206,000	141,986,000
	172,815,000	165,371,000
Insurance		
Cash and investments	193,860,000	185,865,000
Premiums receivable and deferred acquisition costs	35,475,000	32,078,000
	229,335,000	217,943,000
Finance		
Cash and money market instruments	45,208,000	4,719,000
Receivables	394,567,000	400,104,000
	439,775,000	404,823,000
Other Assets		
Investments in associated corporations and other investments	2,852,000	3,052,000
Deferred charges (Note 3)	3,543,000	—
Fixed	21,297,000	17,703,000
Miscellaneous	47,741,000	40,680,000
	\$3,864,022,000	\$3,472,195,000

CONSOLIDATED BALANCE SHEET

December 31	1984	1983
Liabilities		
Trust		
Savings and chequing accounts	\$ 686,410,000	\$ 662,089,000
Time deposits	278,767,000	272,543,000
Guaranteed investment certificates	1,804,750,000	1,562,020,000
	2,769,927,000	2,496,652,000
Guaranty Properties		
Bank loans and mortgages payable	66,199,000	61,267,000
Insurance		
Claims in course of settlement	122,054,000	103,058,000
Unearned premiums	60,366,000	56,340,000
	182,420,000	159,398,000
Finance		
Debt (Note 2)	354,574,000	310,672,000
Unearned finance charges	61,557,000	70,351,000
	416,131,000	381,023,000
Other		
Accounts payable and accrued expenses	208,813,000	160,480,000
Deferred income taxes (Note 8)	40,480,000	42,151,000
Minority interest (primarily Trust Company preference shares)	13,267,000	13,748,000
	262,560,000	216,379,000
Shareholders' Equity (Note 2)		
Preferred shares	29,833,000	30,784,000
Class A shares and Class B common shares	65,512,000	64,965,000
	95,345,000	95,749,000
Retained earnings	100,789,000	90,817,000
	196,134,000	186,566,000
Elimination of inter-corporate holdings	(29,349,000)	(29,090,000)
	166,785,000	157,476,000
	<u>\$3,864,022,000</u>	<u>\$3,472,195,000</u>

The accompanying notes form an integral part of the consolidated financial statements.

Approved by the Board:



Alan R. Marchment, Director



Irving R. Gerstein, Director

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31	1984	1983
Balance at beginning of year	\$ 90,817,000	\$72,889,000
Amortization of cost of issuing preferred shares, net of gain on redemption	155,000	233,000
	90,972,000	73,122,000
Net income for the year	14,124,000	22,092,000
Less dividends on preferred shares		
4½%	135,000	135,000
5%	58,000	58,000
5%, Series A	47,000	56,000
\$2.16 Series B	359,000	373,000
10¼%	633,000	678,000
7.5%	1,037,000	1,064,000
	2,269,000	2,364,000
Earnings available for Class A shares and Class B common shares	11,855,000	19,728,000
Less dividends on Class A shares and Class B common shares, net of inter-corporate holdings (1984 and 1983—\$0.40 per share)	2,038,000	2,033,000
Earnings retained for the year	9,817,000	17,695,000
Balance at end of year	\$100,789,000	\$90,817,000

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31	1984	1983
Funds provided by		
Operations		
Net income before extraordinary items	\$ 14,124,000	\$ 12,432,000
Add non cash items		
Depreciation and amortization	3,463,000	2,818,000
Deferred income taxes	(616,000)	5,683,000
	<u>16,971,000</u>	<u>20,933,000</u>
Net gain on property sale	—	7,500,000
Net increase (decrease) in		
Trust Company deposits	273,275,000	128,493,000
Guaranty Properties debt	4,932,000	(10,675,000)
Insurance claims in course of settlement	18,996,000	12,359,000
Unearned insurance premiums	4,026,000	7,155,000
Finance debt	43,902,000	(98,579,000)
Other	36,285,000	13,878,000
	<u>\$398,387,000</u>	<u>\$ 81,064,000</u>
Funds applied to		
Dividends	\$ 4,307,000	\$ 4,397,000
Addition to fixed assets	7,053,000	4,046,000
Net redemption of shares of the Corporation	404,000	742,000
Net increase (decrease) in		
Trust Company cash, securities and loans	324,041,000	131,468,000
Guaranty Properties cash, mortgages and real estate	7,444,000	10,386,000
Insurance cash, investments and other	11,392,000	25,910,000
Finance cash and receivables, net of unearned finance charges	43,746,000	(95,885,000)
	<u>\$398,387,000</u>	<u>\$ 81,064,000</u>

FINANCIAL INFORMATION OF SUBSIDIARIES

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GUARANTY TRUST

STATEMENT OF INCOME

Year ended December 31	1984	1983
Gross income		
Consumer loan income		
Mortgages	\$106,282,000	\$ 93,438,000
Personal loans	47,090,000	58,370,000
	153,372,000	151,808,000
Commercial loan income		
Mortgages	58,282,000	57,151,000
Corporate term loans	19,138,000	16,864,000
Equipment financing	16,528,000	11,508,000
Manufacturer and dealer services	29,352,000	21,989,000
	123,300,000	107,512,000
Estate, trust and agency fees	25,841,000	23,391,000
Interest and dividends from securities and bank deposit receipts	59,342,000	52,579,000
Real estate brokerage	6,386,000	8,305,000
	368,241,000	343,595,000
Expenses		
Interest on deposits	270,491,000	249,324,000
Credit losses	4,401,000	8,733,000
Real estate brokerage	4,447,000	5,870,000
Salaries and staff benefits	37,547,000	34,982,000
Premises	9,229,000	8,528,000
Data processing, communications, marketing and other	26,468,000	24,786,000
	352,583,000	332,223,000
Income before income taxes, minority interest and extraordinary item	15,658,000	11,372,000
Income taxes-deferred	5,546,000	4,640,000
Net operating income	10,112,000	6,732,000
Net loss on investments and other assets	(637,000)	(225,000)
Equity share of net income of Guaranty Properties Limited	1,140,000	1,072,000
Net income before extraordinary item	10,615,000	7,579,000
Reduction of income taxes arising from application of losses carried forward	—	1,500,000
Net income before minority interest	10,615,000	9,079,000
Minority interest and consolidation adjustments	1,012,000	1,057,000
Net contribution to Traders	\$ 9,603,000	\$ 8,022,000

BALANCE SHEET

December 31	1984	1983
Assets		
Cash and securities		
Cash and bank deposit receipts	\$ 332,809,000	\$ 368,880,000
Securities and loan income due and accrued	33,246,000	22,717,000
Securities	145,137,000	70,542,000
	511,192,000	462,139,000
Loans		
Consumer		
Mortgages	989,235,000	824,470,000
Personal loans	402,142,000	368,680,000
	1,391,377,000	1,193,150,000
Commercial		
Mortgages	533,844,000	530,950,000
Corporate term loans	125,507,000	136,774,000
Equipment financing	143,686,000	112,341,000
Manufacturer and dealer services	241,058,000	187,269,000
	1,044,095,000	967,334,000
	2,435,472,000	2,160,484,000
Other assets		
Investment in and advances to Guaranty Properties Limited	86,768,000	85,628,000
Fixed	6,639,000	6,009,000
Miscellaneous	34,660,000	28,335,000
	\$3,074,731,000	\$2,742,595,000
Liabilities		
Deposits		
Savings and chequing accounts	\$ 686,410,000	\$ 662,089,000
Time deposits	278,767,000	272,543,000
Guaranteed investment certificates	1,804,750,000	1,562,020,000
	2,769,927,000	2,496,652,000
Other		
Interest accrued	91,398,000	70,571,000
Accounts payable	44,466,000	34,214,000
Unearned finance charges	18,686,000	3,524,000
Deferred income taxes	8,059,000	2,978,000
Minority interest (primarily preference shares)	13,003,000	13,383,000
Traders investment, at equity value	129,192,000	121,273,000
	\$3,074,731,000	\$2,742,595,000

GUARANTY PROPERTIES*

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STATEMENT OF INCOME

Year ended December 31	1984	1983
Gross income		
Sales	\$ 31,586,000	\$ 22,478,000
Mortgage interest and other	6,440,000	5,542,000
	38,026,000	28,020,000
Expenses		
Cost of sales	23,018,000	13,400,000
Write-down of inventory	4,730,000	2,744,000
Interest expense	6,060,000	5,098,000
Salaries and staff benefits	1,207,000	1,755,000
Premises	225,000	226,000
Data processing, communications, marketing and other	906,000	1,480,000
	36,146,000	24,703,000
Income before income taxes	1,880,000	3,317,000
Income taxes—current	157,000	—
—deferred	583,000	2,245,000
	740,000	2,245,000
Net contribution to Guaranty Trust	\$ 1,140,000	\$ 1,072,000

BALANCE SHEET

December 31	1984	1983
Assets		
Cash and bank deposit receipts	\$ 1,132,000	\$ 1,805,000
Mortgages and other secured receivables	35,477,000	21,580,000
Real estate inventory	129,194,000	134,933,000
Income producing property	16,972,000	17,253,000
	146,166,000	152,186,000
Other assets		
Fixed	620,000	612,000
Miscellaneous	3,100,000	3,170,000
	\$186,495,000	\$179,353,000
Liabilities		
Debt**		
Bank loans	\$ 59,559,000	\$ 53,102,000
Mortgages payable	6,640,000	8,165,000
	66,199,000	61,267,000
Other		
Accounts payable and accrued expenses	6,335,000	3,276,000
Completion costs of real estate under development	4,809,000	7,466,000
Deferred income taxes	22,384,000	21,716,000
Guaranty Trust equity investment and advances	86,768,000	85,628,000
	\$186,495,000	\$179,353,000

*Consists of Guaranty Properties Limited and the following subsidiaries, joint ventures and partnerships:

Albion Road Estates Limited
 Apple Creek Business Park
 Deer Run Shopping Centre
 Guaranty Properties (Florida) Inc.
 Guaranty Properties (U.S.) Inc.
 Huckleberry Inc.

Paracon Guaranty Joint Venture
 Pickering Joint Venture
 Rideau Woodlands Joint Venture
 360 Bloor Street East
 Traders Associates
 Windermere Partnership

**Bears interest from 5% to 14% and matures from 1985 to 2014.

CANADIAN GENERAL INSURANCE GROUP*

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STATEMENT OF INCOME

Year ended December 31	1984	1983
Gross written premiums	\$188,922,000	\$201,450,000
Reinsurance ceded	45,011,000	67,957,000
Net written premiums	<u>\$143,911,000</u>	<u>\$133,493,000</u>
Gross income		
Net earned premiums	\$145,595,000	\$127,283,000
Investment income	19,555,000	17,362,000
	165,150,000	144,645,000
Loss on sale of securities	(78,000)	(7,000)
	<u>165,072,000</u>	<u>144,638,000</u>
Expenses		
Claims	120,201,000	97,172,000
Commissions and premium taxes	28,235,000	23,134,000
Salaries and staff benefits	11,669,000	11,149,000
Premises	3,230,000	3,378,000
Data processing, communications, marketing and other	7,742,000	7,476,000
	<u>171,077,000</u>	<u>142,309,000</u>
Income (loss) before income taxes and minority interest	<u>(6,005,000)</u>	<u>2,329,000</u>
Income taxes—current	—	(1,145,000)
—deferred	(3,669,000)	1,013,000
	<u>(3,669,000)</u>	<u>(132,000)</u>
Net income (loss) before minority interest	<u>(2,336,000)</u>	<u>2,461,000</u>
Minority interest and consolidation adjustments	7,000	(29,000)
Net contribution to Traders	<u>\$ (2,329,000)</u>	<u>\$ 2,432,000</u>

BALANCE SHEET

December 31	1984	1983
Assets		
Cash and short term investments	\$ 85,241,000	\$ 94,665,000
Bonds (market value 1984—\$53,364,000; 1983—\$29,563,000)	53,850,000	30,150,000
Stocks (market value 1984—\$32,834,000; 1983—\$34,088,000)	26,932,000	29,464,000
Mortgages	27,837,000	31,586,000
	<u>193,860,000</u>	<u>185,865,000</u>
Premiums receivable from agents and policyholders	26,164,000	23,218,000
Deferred acquisition costs	9,311,000	8,860,000
Fixed assets	4,587,000	1,996,000
Miscellaneous assets	9,272,000	7,997,000
	<u>\$243,194,000</u>	<u>\$227,936,000</u>
Liabilities		
Claims in course of settlement	\$122,054,000	\$103,058,000
Unearned insurance premiums	60,366,000	56,340,000
Provision for policy obligations	13,813,000	15,961,000
Accounts payable and accrued expenses	11,328,000	10,687,000
Deferred income taxes	(4,496,000)	(552,000)
Minority interest and consolidation adjustments	8,675,000	8,682,000
Traders investment, at equity value	<u>31,454,000</u>	<u>33,760,000</u>
	<u>\$243,194,000</u>	<u>\$227,936,000</u>

*Includes the following subsidiary companies:

Canadian General Insurance Company
Toronto General Insurance Company
Traders General Insurance Company
Canadian General Life Insurance Company

FINANCE GROUP*

STATEMENT OF INCOME

Year ended December 31	1984	1983
Gross income		
Consumer	\$ 87,137,000	\$ 73,638,000
Commercial	4,303,000	7,037,000
Other	498,000	8,749,000
	91,938,000	89,424,000
Expenses		
Interest expense—		
Secured debt		
Short term	10,078,000	6,189,000
Medium and long term	16,622,000	18,474,000
Debt of subsidiary	—	662,000
Unsecured debt	5,526,000	6,241,000
Other borrowing costs	3,407,000	2,377,000
	35,633,000	33,943,000
Credit losses	11,552,000	11,836,000
Salaries and staff benefits	17,727,000	17,265,000
Premises	2,751,000	2,531,000
Data processing, communications, marketing and other	11,896,000	16,329,000
	79,559,000	81,904,000
Income before income taxes and extraordinary items	12,379,000	7,520,000
Income taxes—current	8,845,000	6,443,000
—deferred	(3,076,000)	(2,215,000)
	5,769,000	4,228,000
Net operating income	6,610,000	3,292,000
Consolidation adjustments	240,000	186,000
Net contribution	6,850,000	3,478,000
Equity share in net income (loss) before extraordinary items of		
Guaranty Trust Company of Canada	9,603,000	6,522,000
Canadian General Insurance Group	(2,329,000)	2,432,000
Net income before extraordinary items	14,124,000	12,432,000
Reduction of income taxes arising from application of losses carried forward	—	2,160,000
Net gain on property sale	—	7,500,000
Net income for the year	\$ 14,124,000	\$ 22,092,000

*Consists of Traders Group Limited and the following major consolidated subsidiaries:

Trans Canada Credit Corporation Limited
Trans Canada Credit Realty Limited
Traders Finance Corporation (1976) Limited

BALANCE SHEET

December 31	1984	1983
Assets		
Cash and money market instruments	\$ 45,208,000	\$ 4,719,000
Finance receivables (Note 11)		
Consumer	335,923,000	327,712,000
Commercial	70,149,000	85,098,000
Other	1,551,000	2,601,000
	407,623,000	415,411,000
Less: Allowance for credit losses	13,056,000	15,307,000
	394,567,000	400,104,000
Investments and advances		
Investments in non-finance subsidiaries at equity value		
Guaranty Trust Company of Canada	129,192,000	121,273,000
Canadian General Insurance Group	31,454,000	33,760,000
Investment in associated corporations and other investments	2,852,000	3,052,000
	163,498,000	158,085,000
Other assets		
Deferred charges (Note 3)	3,543,000	—
Fixed	9,451,000	9,086,000
Miscellaneous	708,000	1,178,000
	\$616,975,000	\$573,172,000
Liabilities		
Debt (Note 2)	\$354,574,000	\$310,672,000
Unearned finance charges	61,557,000	70,351,000
Other		
Accounts payable and accrued expenses	17,323,000	14,461,000
Deferred income taxes	16,736,000	20,212,000
Shareholders' equity	166,785,000	157,476,000
	\$616,975,000	\$573,172,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

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1. Summary of accounting policies

The summary of accounting policies followed by the Corporation and its subsidiaries as outlined on page 30 is an integral part of these financial statements.

2. Consolidated capitalization

Details of the secured and unsecured debt and capital position are included in the Consolidated Capitalization schedules on pages 28 and 29.

3. Foreign exchange

Effective January 1, 1984, the Corporation prospectively adopted the new standard issued by the Canadian Institute of Chartered Accountants with respect to translation of foreign currency long term debt. In accordance with the standard unrealized gains and losses arising from the translation of such debt are deferred and amortized to income over the remaining lives of the related debt, whereas previously these unrealized gains and losses were reflected in the current year's income. As a result, unrealized losses as at December 31, 1984 amounting to \$3,543,000 have been deferred.

4. Related party transactions

During the year the Finance Group sold \$51,640,000 of consumer personal loans, net of unearned finance charges of \$17,625,000, to Guaranty Trust Company of Canada at fair market value.

General and administrative expenses include an allocation among Guaranty Trust, Guaranty Properties and the Finance Group for the cost of shared head office personnel and facilities.

5. Pension plans

The Corporation and its subsidiaries have two pension plans which cover substantially all employees. The most recent independent actuarial valuations of the plans were made at January 1, 1984 and showed a surplus available to offset future pension costs.

6. Commitments and contingencies

Outstanding loan and mortgage commitments for future advances are \$181,089,000 at December 31, 1984 (1983—\$180,625,000).

In 1981 legal proceedings against Guaranty Trust, the Bank of Montreal, Thorne Riddell Inc., and others, were commenced in British Columbia and in Alberta, alleging, among other things, that Guaranty Trust as trustee under a trust indenture acted improperly in appointing a receiver and manager of the assets of Abacus Cities Ltd., now in bankruptcy. Damages claimed against all defendants in Alberta total approximately \$300,000,000, while the action in British Columbia is now for an unspecified amount. Guaranty Trust

is defending these actions and, in the opinion of its legal counsel, Guaranty Trust has a good defence.

7. Subsequent event

As part of a corporate reorganization the Corporation intends to establish Guaranty Trustco Limited (Trustco), formerly Traders Finance Corporation (1966) Limited, as a public company to hold its 99.8% interest in Guaranty Trust Company of Canada and to continue the personal finance business presently carried on by the Corporation.

On January 21, 1985 Trustco made a Share Exchange Offer (Offer) for the Class A shares and Class B shares of the Corporation on the basis that one preference share of Trustco would be exchanged for one Class A share or one Class B share of the Corporation.

Under the terms of the Offer, the Corporation will transfer at book value its holdings of common shares in Guaranty Trust to Trustco. The consideration will be an equivalent number of Trustco common shares less one and one-half times the number of Trustco preference shares issued under the Offer. Trustco will then surrender all of the Corporation's Class A shares and Class B shares, acquired under the Offer, to the Corporation for cancellation without repayment of capital. The expiry date of the Offer is February 25, 1985, but can be extended at Trustco's option to April 30, 1985. Trustco may withdraw the Offer if it is not accepted by the holders of more than 890,000 Class A shares.

Trustco has given the Corporation an option, until September 30, 1985, to purchase preference shares at \$19.00 per share, limited to the number of preference shares which, if immediately converted, would give the Corporation 51% of the aggregate common shares if all outstanding preference shares were converted. In addition, the Corporation has an option until December 31, 1994 to purchase at issue price sufficient common shares to enable the Corporation to own 51% of Trustco's common shares.

Each Trustco preference share will be entitled to a cumulative preferential dividend of \$1.60 per annum, will be convertible into 1.5 Trustco common shares commencing on May 1, 1985 until December 31, 1989 and thereafter into 1.25 Trustco common shares until December 31, 1994, will be retractable at the option of the holder on December 31, 1989 at the price of \$22.00 and will be redeemable at Trustco's option after December 31, 1989 at the price of \$22.00.

The Toronto Stock Exchange has conditionally approved the listing of Trustco preference shares, subject to Trustco's fulfilling all of the requirements of its Offer on or before April 8, 1985, including distribution of the Trustco preference shares to a minimum number of public holders.

8. Income taxes

The Corporation and certain subsidiaries receive tax-exempt dividend and debenture income. Also certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. These amounts may be used to offset taxable income in subsequent tax years. As long as it is virtually certain that the benefit will be used, accounting recognition is given to these amounts.

The summarized income tax position at December 31, 1984 is as follows:

(i) Guaranty Trust

Deferred income tax liabilities, arising mainly from mortgage reserves claimed for tax purposes, have been reflected in the financial statements in the amount of \$9,644,000. The tax benefits of losses carried forward on a filing basis and recognized in the financial statements amount to \$1,585,000.

(ii) Guaranty Properties

Deferred income tax liabilities, arising principally from carrying costs of real estate claimed for tax purposes, have been reflected in the financial statements in the amount of \$32,038,000. The tax benefits of losses carried forward on a filing basis and recognized in the financial statements amount to \$9,654,000.

(iii) Canadian General Insurance Group

Deferred income taxes arise principally from timing differences between certain reserves claimed for tax purposes and those amounts reflected in the financial statements. The tax benefits of losses available to offset future taxable income recognized in the financial statements as deferred income taxes amount to \$4,496,000.

(iv) Finance Group

Deferred income tax liabilities arising principally from direct financing lease contracts have been reflected in the financial statements in the amount of \$16,736,000.

The Corporation's consolidated provision for income taxes, compared to assumed combined statutory rates, is summarized as follows:

	1984		1983	
Income before income taxes, minority interest and extraordinary items	\$23,275,000		\$24,313,000	
Provision based on assumed combined statutory rates	\$12,114,000	52%	\$12,619,000	52%
Increase (decrease) resulting from				
Tax-exempt dividend and debenture income	(3,275,000)	(14)	(2,583,000)	(11)
Other	(453,000)	(2)	945,000	4
Income tax provision	\$ 8,386,000	36%	\$10,981,000	45%

Trust Company**9. Securities**

	1984	1983
Government of Canada and Provinces of Canada	\$ 47,500,000	\$ 34,389,000
Other securities*		
Municipal	267,000	275,000
Corporation bonds and debentures	4,062,000	5,570,000
Stocks	93,308,000	30,308,000
*(Market value 1984—\$96,940,000; 1983—\$33,139,000)	97,637,000	36,153,000
	\$145,137,000	\$ 70,542,000

10. Guaranteed trust account

Included in the balance sheet are assets and liabilities of the guaranteed trust account of \$2,915,328,000 (1983—\$2,602,096,000).

Finance Group**11. Finance receivables**

	1984	1983
(i) Consumer		
Personal loans	\$250,018,000	\$266,706,000
Retail	2,160,000	2,538,000
Mortgages	46,340,000	28,455,000
Home improvements	3,508,000	1,953,000
Other	33,897,000	28,060,000
	\$335,923,000	\$327,712,000
Commercial		
Equipment financing	\$ 5,984,000	\$ 10,447,000
Commercial loans	214,000	650,000
Leasing	63,951,000	74,001,000
	\$ 70,149,000	\$ 85,098,000
(ii) Maturities:		
Finance receivables due within one year are \$205,312,000. (1983—\$199,855,000).		
(iii) Direct financing lease contracts:		
The Corporation has the following net investment in direct financing lease contracts:		
	1984	1983
Commercial receivables		
Aggregate rentals receivable	\$ 61,618,000	\$ 71,666,000
Residuals on expiry of leases		
Contractual	559,000	559,000
Non-contractual	1,774,000	1,776,000
	63,951,000	74,001,000
Unearned finance charges	13,627,000	17,060,000
	\$ 50,324,000	\$ 56,941,000

CONSOLIDATED CAPITALIZATION

December 31, 1984

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Finance Group Debt

	Due within one year	Due beyond one year	Total
Summary			
Secured Debt			
Senior Secured Debt			
Short term notes	\$ 96,830,000	\$ —	\$ 96,830,000
Medium term notes	32,208,000	51,200,000	83,408,000
Long term notes	12,571,000	100,634,000	113,205,000
Other Secured Debt	2,245,000	8,265,000	10,510,000
	143,854,000	160,099,000	303,953,000
Unsecured Debt			
Debentures	13,485,000	35,602,000	49,087,000
Other	1,534,000	—	1,534,000
	\$158,873,000	\$195,701,000	\$354,574,000

Senior Secured Debt

The senior secured notes of the Corporation are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Corporation and are protected by operating restrictions provided in borrowing agreements.

Long Term Notes

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
5¾% AD	April 15, 1985	\$ —	\$ 7,638,000
6¼% AE (i)	April 1, 1986	—	16,521,000
7¾% AH	December 1, 1986	79,000	1,575,000
7¼% AI (i)	July 1, 1987	—	23,394,000
7¾% AJ	September 15, 1987	125,000	3,071,000
8 % AK (i)	December 1, 1988	989,000	11,265,000
8¾% AL	December 15, 1988	8,000	205,000
9¾% AM	December 15, 1989	29,000	950,000
9½% AN	May 15, 1990	5,000	192,000
10½% AO (i)	October 15, 1990	1,207,000	11,676,000
9 % AP	February 15, 1991	625,000	15,317,000
10⅞% AR (i)	March 15, 1991	1,685,000	18,306,000
11¼% AQ	January 6, 1995	181,000	3,095,000
		\$ 4,933,000	\$113,205,000

(i) U.S. dollar issues.

Other Secured Debt

The Corporation has obligations of \$10,510,000 secured on leased property, bearing interest rates from 8.35% to 10.25% and payable from 1985 through 1990.

Debentures

Series	Maturity date	Annual sinking fund or maximum annual purchase fund	Outstanding
6 %	June 1, 1985	\$ —	\$ 2,364,000
14¾%	June 15, 1990	381,000	5,981,000
11½%	November 1, 1990	238,000	3,773,000
14 %	April 15, 1991	121,000	2,253,000
9½%	June 15, 1991	106,000	2,728,000
13½%	April 15, 1992	178,000	3,502,000
8¾%	October 15, 1992	51,000	1,923,000
10¼%	April 15, 1993 (i)	—	9,296,000
8¾%	May 1, 1993	375,000	8,600,000
9 %	October 15, 1993	375,000	8,667,000
		\$ 1,825,000	\$ 49,087,000

(i) The holders of this series have the right to elect an early maturity date; the Corporation has the right to increase the interest rate.

Share Capital

Cumulative redeemable preferred shares without nominal or par value

	Authorized	Issued and Outstanding	
	Shares	Shares	Amount
4½% preferred shares	35,000	35,000	\$ 3,500,000
Less: held by subsidiaries		5,135	513,000
		29,865	2,987,000
5% preferred shares	29,149	29,099	1,164,000
\$30 preferred shares, issuable in series	351,917		
5%, Series A		34,249	1,028,000
Less purchases during 1984		3,500	106,000
		30,749	922,000
\$2.16, Series B		170,246	5,107,000
Less purchases during 1984		6,550	196,000
		163,696	4,911,000
\$10 preferred shares, issuable in series	5,000,000		
10¼% preferred shares		647,031	6,470,000
Less purchases during 1984		35,400	354,000
		611,631	6,116,000
7.5% preferred shares	331,100	280,562	14,028,000
Less purchases during 1984		5,900	295,000
		274,662	13,733,000
			\$29,833,000

The terms of issue of preferred shares issued in series include provisions by which the Corporation is to provide (subject to certain conditions) an annual fund for the purchase of these preferred shares in the aggregate amount of \$1,385,000.

Class A shares and Class B common shares without nominal or par value

	Issued and Outstanding				
	Authorized	1984		1983	
	Shares	Shares	Amount	Shares	Amount
Class A shares	unlimited	6,610,054	\$65,032,000	6,580,213	\$64,485,000
Class B common shares	720,000	720,000	480,000	720,000	480,000
		7,330,054	\$65,512,000	7,300,213	\$64,965,000
Less elimination of shares held through a subsidiary (i)		2,230,631		2,216,483	
Shares effectively outstanding		5,099,423		5,083,730	

(i) The Class A shares and Class B common shares of Traders Group Limited held directly and indirectly through a subsidiary for a total cost of \$29,349,000 have been eliminated on consolidation as noted below.

Class A	1,754,747
Class B	475,884
Total shares	2,230,631

(ii) Under the Dividend Reinvestment Plan and Stock Dividend Program eligible holders of Class A shares and Class B common shares may elect to acquire new Class A shares at 95% of the average market price through the reinvestment of dividends. During the year 29,841 shares were issued as a result of dividends being reinvested for an aggregate consideration of \$547,000.

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

Financial data covering the Corporation's significant business segments are included in the summarized financial information of subsidiaries which is an integral part of the consolidated financial statements.

Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated to Canadian dollars at either the exchange rate prevailing at balance sheet date or at forward contract rates where such contracts have been made.

Exchange gains or losses related to long-term foreign currency debt of the Corporation are amortized on a straight-line basis over the remaining term of the debt to which they relate. The unamortized balances of deferred gains and losses are recorded as a net deferred charge.

Other gains or losses arising from market fluctuations are reflected in current operations.

Trust Company Accounting

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans are stated at cost less provision for losses.

Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on other bonds and loans are amortized on a straight-line basis over the term to maturity.

Unearned income on instalment contracts is computed by the sum of the digits method.

Realized gains or losses on investments are included in the statement of income.

The Company follows accrual accounting for estate, trust and agency business.

Guaranty Properties Accounting

The proportionate share of the assets, liabilities, income and expenses of all joint ventures and partnerships are included in the consolidated financial statements.

Sales are recorded after all material conditions have been fulfilled and a minimum of 15% of the sale price has been received in cash.

Inventory is carried at the lower of cost, including direct carrying charges (primarily interest and realty taxes) and development costs, and estimated net realizable value at the time of sale.

Insurance Accounting

Net written premiums are included in income evenly over the term of the policies. Deferred acquisition expenses, comprised of net commissions and premium taxes, are amortized to income over the periods in which the premiums are earned. The method used limits the amount deferred to the amount recoverable after taking into consideration a portion of investment income.

The Companies follow the policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Companies to a maximum amount on any one loss in the event of a claim. Reinsurance ceded does not, however, relieve the Companies of their ultimate liability to their insureds in the event that any reinsurer is unable to meet its obligations under the reinsurance contracts.

Premium income is recorded net of amounts ceded to reinsurers and claims and commissions are recorded net of reinsurance recoveries.

The provision for outstanding losses includes an estimated provision for all costs of investigation and settlement of claims incurred prior to the balance sheet date. Anticipated salvage and subrogation recoveries are not recorded until received.

Bonds and mortgages are carried at amortized cost. Stocks are carried at cost. Gains and losses on disposal are recognized in income when realized.

Finance Accounting

Unearned income on direct financing lease contracts and certain long-term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method.

Income from interest bearing loans is recorded on an accrual basis.

FINANCIAL ANALYSIS



FIVE YEAR REVIEW

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December 31	1984	1983	1982	1981	1980
CONSOLIDATED CONDENSED STATEMENT OF INCOME					
Gross income					
Trust Company	\$368,241,000	\$343,595,000	\$374,931,000	\$335,137,000	\$250,004,000
Guaranty Properties	36,284,000	26,278,000	28,463,000	20,628,000	17,494,000
Insurance Group	165,150,000	144,645,000	138,920,000	128,540,000	112,088,000
Finance Group	91,938,000	89,424,000	96,785,000	125,505,000	137,380,000
Gain (loss) on sale of investments	(715,000)	(232,000)	93,000	2,223,000	1,561,000
	660,898,000	603,710,000	639,192,000	612,033,000	518,527,000
Expenses					
Interest expense	312,184,000	288,365,000	356,041,000	352,212,000	279,983,000
Cost of property sales and write-down of inventory	27,748,000	16,144,000	16,745,000	12,311,000	6,423,000
Insurance claims	120,201,000	97,172,000	98,153,000	101,559,000	79,225,000
Insurance commissions and premium taxes	28,235,000	23,134,000	20,558,000	18,373,000	17,998,000
Credit losses	15,953,000	20,569,000	18,532,000	9,779,000	14,468,000
Salaries and staff benefits	68,150,000	65,151,000	60,937,000	58,915,000	55,467,000
Premises	13,693,000	12,921,000	13,264,000	12,093,000	11,751,000
Data processing, communications, marketing and other	51,459,000	55,941,000	47,783,000	44,580,000	39,477,000
	637,623,000	579,397,000	632,013,000	609,824,000	504,792,000
Income before income taxes, minority interest and extraordinary items	23,275,000	24,313,000	7,179,000	2,209,000	13,735,000
Income taxes (current and deferred)	8,386,000	10,981,000	1,716,000	(1,999,000)	2,555,000
Net operating income	14,889,000	13,332,000	5,463,000	4,208,000	11,180,000
Minority interest and consolidation adjustments	765,000	900,000	1,219,000	1,017,000	(426,000)
Net operating income from continuing operations	14,124,000	12,432,000	4,244,000	3,191,000	11,606,000
Loss from discontinued operation	—	—	—	—	(1,866,000)
Loss from factoring operation, net of taxes	—	—	(1,590,000)	(526,000)	—
Net income before extraordinary items	14,124,000	12,432,000	2,654,000	2,665,000	9,740,000
Extraordinary items	—	9,660,000	—	—	—
Net income for the year	\$ 14,124,000	\$ 22,092,000	\$ 2,654,000	\$ 2,665,000	\$ 9,740,000
Available for					
Preferred shares	\$ 2,269,000	\$ 2,364,000	\$ 2,464,000	\$ 2,545,000	\$ 2,588,000
Class A shares and Class B common shares	11,855,000	19,728,000	190,000	120,000	7,152,000
	\$ 14,124,000	\$ 22,092,000	\$ 2,654,000	\$ 2,665,000	\$ 9,740,000
Earnings per Class A share and Class B common share	\$2.33	\$3.88	\$0.04	\$0.02	\$1.40
Dividends declared per share	0.40	0.40	0.40	1.03¾	1.25
Return on average annual Class A share and Class B common share equity	8.99%	16.77%	0.16%	0.10%	5.89%

December 31	1984	1983	1982	1981	1980
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CONSOLIDATED ASSETS

Trust Company	\$2,946,664,000	\$2,622,623,000	\$2,491,155,000	\$2,511,171,000	\$2,207,154,000
Guaranty Properties	172,815,000	165,371,000	154,985,000	145,702,000	117,696,000
Insurance Group	229,335,000	217,943,000	192,033,000	182,341,000	167,858,000
Finance Group	439,775,000	404,823,000	494,038,000	668,791,000	847,506,000
Other Assets	75,433,000	61,435,000	67,633,000	60,869,000	53,529,000
	\$3,864,022,000	\$3,472,195,000	\$3,399,844,000	\$3,568,874,000	\$3,393,743,000

CONSOLIDATED CAPITALIZATION

Finance Group Debt					
Secured Debt					
Short term	\$ 96,830,000	\$ 71,485,000	\$ 78,259,000	\$ 155,033,000	\$ 174,481,000
Medium term	83,408,000	15,230,000	36,082,000	30,210,000	96,068,000
Long term	113,205,000	150,081,000	198,451,000	224,183,000*	242,788,000*
Other secured	10,510,000	12,570,000	22,986,000	16,269,000	17,884,000
	303,953,000	249,366,000	335,778,000	425,695,000	531,221,000
Debentures	49,087,000	59,703,000	68,857,000	86,013,000	103,112,000
Other	1,534,000	1,603,000	4,616,000	10,229,000	16,274,000
	354,574,000	310,672,000	409,251,000	521,937,000	650,607,000
Shareholders' equity and minority interest	180,052,000	171,224,000	152,711,000	164,513,000	173,724,000
	\$ 534,626,000	\$ 481,896,000	\$ 561,962,000	\$ 686,450,000	\$ 824,331,000

Book value per share	\$ 26.88	\$ 24.95	\$ 21.42	\$ 22.99	\$ 23.77
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**NET INCOME (LOSS)
BY LINE OF BUSINESS**

Trust Company	\$ 8,463,000	\$ 6,950,000	\$ 2,719,000	\$ 757,000	\$ 4,004,000
Guaranty Properties	1,140,000	1,072,000	1,002,000	1,632,000	3,607,000
Insurance Group	(2,329,000)	2,432,000	1,428,000	(758,000)	2,706,000
Finance Group	6,850,000	11,638,000	(2,495,000)	1,034,000	(577,000)
Net income	\$ 14,124,000	\$ 22,092,000	\$ 2,654,000	\$ 2,665,000	\$ 9,740,000

Weighted average number of Class A shares and Class B common shares outstanding	5,094,000	5,078,000	5,067,000	5,069,000	5,122,000
Number of employees	3,042	3,064	3,102	3,458	3,526

*Not restated to reflect change in accounting policy for foreign exchange.

COMPARISON OF MATURITIES

OF FINANCE RECEIVABLES WITH DEBT

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<i>In millions of dollars</i>	1985	1986	1987	1988	1989	1990 1994	1995	Total
Finance receivables								
Consumer								
Personal loans	\$115.8	\$ 74.5	\$ 41.3	\$ 13.9	\$ 3.5	\$ 1.0	\$ —	\$250.0
Retail	2.0	0.1	0.1	—	—	—	—	2.2
Mortgages	38.6	5.7	1.4	0.4	0.2	—	—	46.3
Home improvements	3.1	0.3	0.1	—	—	—	—	3.5
Other	26.7	5.6	1.5	0.1	—	—	—	33.9
	186.2	86.2	44.4	14.4	3.7	1.0	—	335.9
Commercial								
Equipment financing	5.2	0.5	0.2	0.1	—	—	—	6.0
Commercial loans	—	—	—	0.2	—	—	—	0.2
Leasing	12.4	9.1	9.3	6.0	5.3	21.9	—	64.0
Other	1.5	—	—	—	—	—	—	1.5
	19.1	9.6	9.5	6.3	5.3	21.9	—	71.7
	\$205.3	\$ 95.8	\$ 53.9	\$ 20.7	\$ 9.0	\$ 22.9	\$ —	\$407.6
Debt								
Short term	\$ 96.8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 96.8
Medium term	32.2	51.2	—	—	—	—	—	83.4
Long term	12.6	22.9	30.9	12.2	4.5	28.8	1.3	113.2
Other secured	2.3	2.5	2.4	1.0	1.1	1.2	—	10.5
	143.9	76.6	33.3	13.2	5.6	30.0	1.3	303.9
Debentures	13.5	1.8	1.8	1.8	1.8	28.4	—	49.1
Other	1.5	—	—	—	—	—	—	1.5
	\$158.9	\$ 78.4	\$ 35.1	\$ 15.0	\$ 7.4	\$ 58.4	\$ 1.3	\$354.5

QUARTERLY ANALYSIS
OF RATE SPREAD AND NET INCOME (LOSS) BY LINE OF BUSINESS

In thousands of dollars, where applicable		Net Rate Spread		Net Income (Loss) ⁴					Per Share
Quarter		Trust ¹	Finance ^{2, 3}	Trust	Property	Insurance	Finance	Total	
1980	Q1	1.19%	5.83%	\$ 482	\$ 223	\$ (279)	\$ 857	\$ 1,283	\$0.12
	Q2	1.24	6.18	1,294	23	1,666	(1,219)	1,764	0.22
	Q3	1.28	6.62	1,341	475	463	(17)	2,262	0.32
	Q4	1.34	7.02	887	2,886	856	(198)	4,431	0.74
		1.26	6.41	4,004	3,607	2,706	(577)	9,740	1.40
1981	Q1	1.12	7.15	568	887	(630)	862	1,687	0.20
	Q2	0.85	7.48	(128)	393	238	535	1,038	0.09
	Q3	0.29	7.86	(4,089)	(32)	548	394	(3,179)	(0.76)
	Q4	0.62	6.98	4,406	384	(914)	(757)	3,119	0.49
		0.71	7.36	757	1,632	(758)	1,034	2,665	0.02
1982	Q1	0.77	8.57	4	732	(1,614)	312	(566)	(0.23)
	Q2	0.96	9.81	(265)	1,161	965	(1,244)	617	—
	Q3	1.09	11.29	843	107	1,236	(990)	1,196	0.11
	Q4	1.39	10.71	2,137	(998)	841	(573)	1,407	0.16
		1.06	9.71	2,719	1,002	1,428	(2,495)	2,654	0.04
1983	Q1	1.68	13.97	1,053	(701)	689	1,247	2,288	0.33
	Q2	1.74	15.50	1,245	1,923	964	919	5,051	0.88
	Q3	1.93	16.17	1,446	(163)	192	1,194	2,669	0.41
	Q4	1.82	17.29	1,706	13	587	118	2,424	0.36
		1.80	15.67	5,450	1,072	2,432	3,478	12,432	1.98
1984	Q1	1.80	17.38	1,646	1,031	(465)	1,589	3,801	0.63
	Q2	1.72	17.11	2,027	(144)	1,540	1,652	5,075	0.89
	Q3	1.66	16.73	2,161	(103)	(427)	1,407	3,038	0.48
	Q4	1.72	14.98	2,629	356	(2,977)	2,202	2,210	0.33
		1.72%	16.49%	\$8,463	\$1,140	\$ (2,329)	\$6,850	\$14,124	\$2.33

¹ Average rate earned on loans and securities (excluding fee income) less average rate paid on deposits. Taxable equivalent basis for all periods except for the last three quarters of 1981 and all quarters of 1982, wherein income tax credits were not available.

² Average rate earned on finance receivables less average rate paid on debt.

³ Revised for 1981 to exclude Aetna Financial Services Limited.

⁴ Excludes extraordinary items.

GUARANTY TRUST

Interest Rate Sensitivity

It is a primary objective of management to ensure that deposits are matched by investments of similar maturity and interest type. Achievement of this objective results in satisfactory and stable net interest income levels while minimizing exposure to unanticipated and uncontrollable interest rate fluctuations.

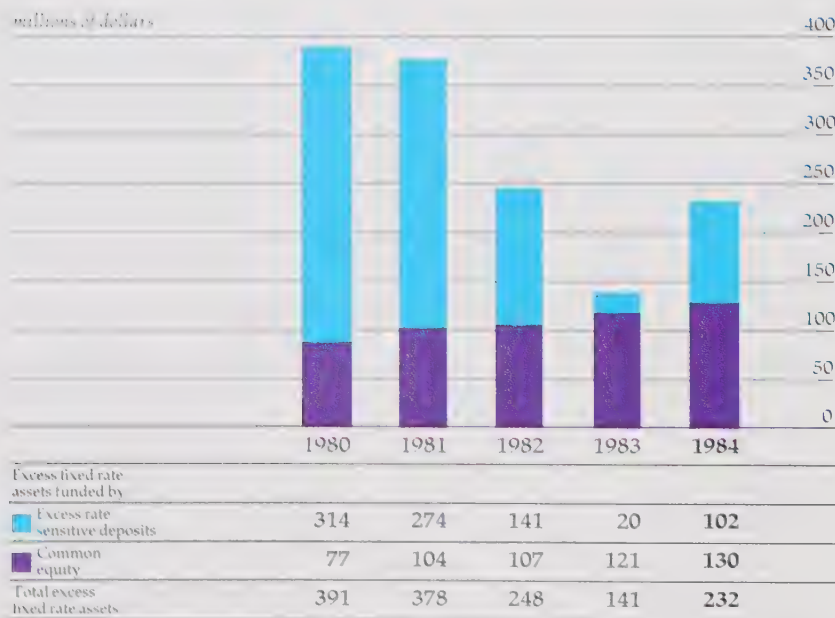
The Company's Asset and Liability Management Committee ensures that operating decisions are consistent with the Company's policy of operating its financial intermediary business activity on a matched basis. The Committee meets weekly to review the matching position and projected cash flows, by term. It then sets deposit and loan rates consistent with its objectives.

Asset and Liability Maturity and Mix

Interest rates, while still exhibiting some measure of volatility during 1984, have been declining. Although many depositors continue to prefer deposits maturing in one year or less, thus expressing continuing concern with regard to interest rate and other uncertainty, there has been an increase in demand for term deposits maturing in three to four years. In response to these preferences, management is emphasizing lending for terms of one to two years and three to four years as well as lending on a short-term or floating rate basis.

The long-term mortgage and bond portfolio has been reduced from \$212.7 million during 1984 to \$181.2 million at year-end, of which \$58.8 million matures within five years.

Interest rate sensitivity



Interest Rate Sensitivity

The degree of sensitivity of deposits and investments to interest rate fluctuations varies directly with their degree of responsiveness to such market changes. A short term to maturity produces greater rate sensitivity than does a longer term.

Interest rate risk arises when the degree of interest rate sensitivity pertaining to deposits and investments differs since the repricing of deposits and investments is not concurrent. Such a condition, termed a mismatch, gives rise to favourable or unfavourable effects on the Company's interest rate differential, depending upon the relative sensitivities of deposits and investments and whether interest rates are moving up or down.

In the last quarter of the year the Company accelerated growth in excess fixed rate assets by a modest amount. In the context of declining interest rates, as well as anticipated strong deposit growth during the first quarter of 1985, this provides a potential opportunity to fund these assets at lower rates and hence improve investment spread.

Asset and Liability Maturity and Mix

In millions of dollars

	Rate sensitive and within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Other	December 31, 1984		December 31, 1983	
								Total	%	Total	%
Assets											
Cash and bank deposit receipts	\$ 333	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 333	11	\$ 369	13
Securities and other investments	71	17	43	6	24	46	—	207	7	133	5
Consumer loans*	828	251	116	72	118	7	—	1,392	45	1,193	44
Commercial loans	656	77	63	97	61	90	—	1,044	34	967	35
Other assets	47	—	—	—	—	—	52	99	3	81	3
	\$1,935	\$345	\$222	\$175	\$203	\$143	\$ 52	\$3,075	100	\$2,743	100
%—1984	63	11	7	5	7	5	2		100		
%—1983	66	9	7	3	7	5	3				100
Liabilities and Equity											
Demand	\$ 686	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 686	23	\$ 662	24
Time	279	—	—	—	—	—	—	279	9	273	10
Term	925	323	178	203	176	—	—	1,805	59	1,562	57
Other liabilities and equity	97	5	4	2	1	—	196	305	9	246	9
	\$1,987	\$328	\$182	\$205	\$177	\$ —	\$ 196	\$3,075	100	\$2,743	100
%—1984	65	10	6	7	6	—	6		100		
%—1983	66	10	8	3	7	—	6				100
Asset Surplus (Deficiency)											
at December 31, 1984	\$ (46)	\$ 22	\$ 44	\$ (28)	\$ 27	\$143	\$(162)				
at December 31, 1983	11	(46)	(14)	6	(6)	140	(91)				

*Net of adjustments for financial hedges and swaps

Interest Rate Sensitivity

In millions of dollars

	Rate sensitive	Fixed Rate			Rate sensitive	Fixed Rate		
		Under 1 yr.	Over 1 yr.	Total		Under 1 yr.	Over 1 yr.	Total
Assets								
Cash and bank deposit receipts	\$ 229	\$ 104	\$ —	\$ 333	\$ 350	\$ 19	\$ —	\$ 369
Securities and other investments	45	26	136	207	6	2	125	133
Consumer loans*	184	644	564	1,392	186	588	419	1,193
Commercial loans	456	200	388	1,044	431	213	323	967
Other assets	47	—	52	99	23	—	58	81
	<u>\$ 961</u>	<u>\$ 974</u>	<u>\$1,140</u>	<u>\$3,075</u>	<u>\$ 996</u>	<u>\$822</u>	<u>\$925</u>	<u>\$2,743</u>
	<u>31%</u>	<u>32%</u>	<u>37%</u>	<u>100%</u>	<u>36%</u>	<u>30%</u>	<u>34%</u>	<u>100%</u>
Deposits								
Demand	\$ 686	\$ —	\$ —	\$ 686	\$ 662	\$ —	\$ —	\$ 662
Time	279	—	—	279	273	—	—	273
Term	7	918	880	1,805	8	791	763	1,562
	972	918	880	2,770	943	791	763	2,497
Other liabilities	91	6	66	163	73	—	39	112
Preference shares	—	—	12	12	—	—	13	13
Common equity	—	—	130	130	—	—	121	121
	<u>\$1,063</u>	<u>\$ 924</u>	<u>\$1,088</u>	<u>\$3,075</u>	<u>\$1,016</u>	<u>\$791</u>	<u>\$936</u>	<u>\$2,743</u>
	<u>35%</u>	<u>30%</u>	<u>35%</u>	<u>100%</u>	<u>37%</u>	<u>29%</u>	<u>34%</u>	<u>100%</u>
Asset Surplus (Deficiency)								
at December 31	\$ (102)	\$ 56	\$ 46	\$ —	\$ (20)	\$ 31	\$ (11)	\$ —

*Net of adjustments for financial hedges and swaps

CORPORATE INFORMATION

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Head Office

625 Church Street
 Toronto, Ontario
 M4Y 2G1
 Telephone (416) 925-1461

Auditors

Price Waterhouse
 Chartered Accountants
 Toronto, Ontario

Stock Exchange Listings

(Symbol: TG)
 Toronto Stock Exchange:
 Class A shares and
 Class B common,
 preferred (all classes)
 Vancouver Stock Exchange:
 Class A shares and
 Class B common, preferred
 (4½%, 10¼%, 7.5%)

Share Transfer Agents and Registrars

Guaranty Trust Company of Canada
 Toronto, Montreal, Winnipeg,
 Calgary, Vancouver
 Bank of Montreal Trust Company
 New York, N. Y.

Trustees

Senior Secured Debt—
 The Royal Trust Company
 Toronto, Ontario
 Debentures—
 The Canada Trust Company
 Toronto, Ontario

SUBSIDIARIES

	Effective % held by Traders
Trust Group	
Guaranty Trustco Limited*	100.0
Guaranty Trust Company of Canada . .	99.8
Guaranty Properties Limited	99.8
Guaranty Realty Investments Limited .	99.8
Finance Group	
Trans Canada Credit Corporation Limited	100.0
Trans Canada Credit Realty Limited	100.0
Traders Finance Corporation (1976) Limited	100.0
Traders Finance S.A. and subsidiaries.	100.0

Insurance Group

Canadian General Insurance Company	99.4
Toronto General Insurance Company .	98.9
Traders General Insurance Company .	99.5
Canadian General Life Insurance Company	98.1

*Name changed from Traders Finance
 Corporation (1966) Limited

BANKERS**Canada**

Bank of British Columbia
 Bank of Montreal
 Canadian Imperial Bank of Commerce
 The First National Bank of Chicago (Canada)
 National Bank of Canada
 Swiss Bank Corporation (Canada)
 The Bank of Nova Scotia
 The Mercantile Bank of Canada
 The Royal Bank of Canada
 The Toronto-Dominion Bank

United States of America

AmeriTrust Company
 Manufacturers Hanover Trust Company
 Manufacturers National Bank of Detroit

DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

JOHN P. BASSEL, Q.C.
Partner
Bassel, Sullivan & Leake
Barristers & Solicitors
Toronto, Ontario

ROBERT E. BETHELL
President and Chief Executive Officer
Canadian General Insurance Group
Toronto, Ontario

W. JOHN A. BULMAN
President
The Bulman Group Limited
Winnipeg, Manitoba

E. WALLACE FLANAGAN
President
Traders Group Limited
Calgary, Alberta

IRVING R. GERSTEIN
President
Peoples Jewellers Limited
Toronto, Ontario

ROBERT G. GRAHAM
President and Chief Executive Officer
Inter-City Gas Corporation
Winnipeg, Manitoba

WILLIAM A. HEASLIP
Chairman, President and Chief Executive Officer
Grafton Group Limited
Toronto, Ontario

ALAN R. MARCHMENT, F.C.A.
Chairman of the Board and
Chief Executive Officer
Traders Group Limited
Toronto, Ontario

FREDERIC Y. McCUTCHEON
President
Arachnae Management Limited
Toronto, Ontario

JAMES W. McCUTCHEON, Q.C.
Partner
Shibley, Righton & McCutcheon
Barristers and Solicitors
Toronto, Ontario

E. LLEWELLYN G. SMITH
Chairman and Chief Executive Officer
E. D. Smith & Sons, Limited
Winona, Ontario

DONALD I. WEBB, F.C.A.
Financial Consultant
Toronto, Ontario

COMMITTEES

Executive
Chairman: James W. McCutcheon, Q.C.
J. P. Bassel, Q.C., I. R. Gerstein, R. G. Graham,
A. R. Marchment, F. Y. McCutcheon

Function: During intervals between meetings of the Board of Directors, the Executive Committee has all the powers of the Board except those powers that are required by legislation or Corporation by-law to be exercised by the Board itself.

Finance
Chairman: Frederic Y. McCutcheon
A. R. Marchment, James W. McCutcheon, Q.C.,
D. I. Webb

Function: The Finance Committee reviews and makes recommendations with respect to the Corporation's capitalization program.

Audit
Chairman: Irving R. Gerstein
J. P. Bassel, Q.C., W. J. A. Bulman,
James W. McCutcheon, Q.C.

Function: The Audit Committee reviews financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board. It also reviews, on a continuing basis, control procedures in effect throughout the Corporation.

Pension Plans Trustees
Chairman: Alan R. Marchment
R. E. Bethell, M. A. Hasley, F. Y. McCutcheon

Function: The Pension Plans Trustees review and make recommendations with respect to the funding of employee pension benefits, the selection of investment managers and funding vehicles, the investment return objectives and the investment strategies and performance for the Traders and subsidiaries pension plans.

Compensation
Chairman: James W. McCutcheon, Q.C.
W. J. A. Bulman, I. R. Gerstein, R. G. Graham,
A. R. Marchment

Function: The Compensation Committee reviews man-power planning and the performance of management personnel and makes recommendations to the Board concerning executive compensation.

